

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL**

DATE: OCTOBER 9, 2014

**SUBJECT: JOINT APPLICATION FOR ORDER AUTHORIZING UNITED WATER TO
CONNECT TO, AND TAKE OVER OPERATION OF, BRIAN WATER'S
DOMESTIC WATER SYSTEM, CASE NO. UWI-W-14-01**

On September 29, 2014, United Water Idaho Inc. ("United Water") and Brian Subdivision Water Users Association ("Brian Water") applied to the Commission for an Order authorizing United Water to connect to, and take over the operation of, Brian Water's water system. The applicants ask the Commission to process the case by Modified Procedure.

THE APPLICATION

In their Application, United Water and Brian Water explain that the Idaho Department of Environmental Quality has required Brian Water to eliminate contaminants from Brian Water's domestic water system, and that the most feasible way for Brian Water to do this is to connect its system to United Water. The applicants have entered into an agreement to facilitate this transaction, and have attached a copy of the agreement to the Application.

The applicants estimate it would cost \$1,340,209 for United Water to connect to Brian Water's system. This amount would include \$1,215,184 in pipeline costs and \$125,026 in service and meter costs. The applicants propose that Brian Water's customers pay for 10% of the trued-up pipeline costs and 100% of the trued-up costs for services and meters, and that United Water's customers pay 90% of the trued-up pipeline costs.

The applicants estimate that the construction costs allocated to Brian Water's customers will increase United Water's first year per customer revenue requirement by about \$165,609. The applicants propose that Brian Water customers cover this amount by paying United Water an extra \$124.86 on their water bill every two months for ten years or, at the customer's option, by making a one-time payment. The applicants propose that the Commission approve this surcharge to Brian

Water customers under the “contract standard” so the surcharge will not change in a general rate case unless the surcharge were determined to adversely affect the public interest.

With respect to the costs allocated to United Water’s customers, the applicants propose that United Water would: (1) defer recovery of those costs and continue to accrue allowance for funds used during construction until included in rates; and (2) include those costs in the base rates it seeks in its next general rate case (including a return on the investment amount as calculated at the end of the year and not as a 13-month average).

The applicants state that upon the Commission’s approval of the Application, United Water will file a conforming tariff specifying the terms of service for customers living in the Brian Subdivision.

The applicants state that Brian Water has notified its members about the proposals and this Application.

The applicants ultimately request that the Commission:

- approve a change to United Water’s CPCN to add Brian Subdivision;
- confirm that United Water shall serve Brian Subdivision after the closing date of the parties’ agreement;
- approve the applicants’ surcharge and rate proposals; and
- confirm that United Water’s contemplated investments are prudent for ratemaking purposes, and approve the applicant’s cost recovery and ratemaking proposals.

STAFF RECOMMENDATION

Staff recommends that the Company’s Application be processed by Modified Procedure, and that the Commission issue a Notice of Application setting a December 16, 2014 comment deadline, and a December 23, 2014 reply deadline. Staff does not recommend a public workshop at this time, although one could be conducted if needed.

COMMISSION DECISION

Does the Commission want to issue a Notice of Application and Modified Procedure setting comment and reply deadlines as noted above?

Karl T. Klein
Karl T. Klein
Deputy Attorney General

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